

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 IO-14 ISO-00 CIAE-00 DODE-00

PM-07 H-03 INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 USIA-15 SAJ-01 SAB-01 SAM-01 MC-02

FEA-02 AEC-11 AID-20 CEA-02 CIEP-03 COME-00 EB-11

FPC-01 INT-08 OMB-01 SCI-06 STR-08 TRSE-00 FRB-03

DRC-01 ACDA-19 /243 W

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R 221128Z AUG 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7879

INFO AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KABUL

AMCONSUL KARACHI

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

USMISSION USUN NEW YORK

AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY DOHA

AMEMBASSY DAMASCUS

AMEMBASSY KATHMANDU

AMCONSUL KHORRAMSHAHR

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

USLO PEKING

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AMEMBASSY SAN

AMCONSUL TABRIZ
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 7081

E.O. 11652: NGDS
TAGS: PFOR, IR
SUBJ: IRANIAN INVOLVEMENT IN WORLD AFFAIRS DEEPENS

REF: TEHRAN 5268

SUMMARY: IRAN'S DRIVE TO PLAY MORE INFLUENTIAL ROLE IN WORLD AFFAIRS, USING COUNTRY'S GREATLY EXPANDED OIL REVENUES AS LEVERAGE TO FURTHER ITS POLITICAL AND STRATEGIC OBJECTIVES, WAS ANALYZED IN DETAIL IN LATE FUNE (REFTEL). HECTIC PACE OF VISITING DELEGATIONS AND AID-TRADE AND JOINT VENTURE AGREEMENTS HAS CONTINEUD UNABATED DURING USUALLY-QUIET SUMMER MONTHS AND SIGNIFICANT DEVELOPMENTS HAVE OCCURRED IN IRAN'S RELATIONS WITH OTHER COUNTRIES. SHAH HAS AGAIN SHOWN HIS SKILL IN EXPLOITING OPPORTUNITIES TO INCREASE IRAN'S LEADERSHIP ROLE AND INTERNATIONAL PRESTIGE, AND ON SEVERAL OCCASIONS HE UNDERTOOK STATESMANLIKE DIPLOMATIC INITIATIVES. SOME AID TO NEIGHBORS IS DESIGNED TO TIE THEM CLOSER TO IRAN. THIS TELEGRAM IS INTENDED TO UPDATE REFTEL AND SHOULD BE READ IN CONNECTION WITH IT. END SUMMARY.

1. HARDLY A WEEK HAS GONE BY WITHOUT SOME IMPRESSIVE ECONOMIC AGREEMENT BEING ANNOUNCED BETWEEN IRAN AND ANOTHER COUNTRY, ALTHOUGH IN SEVERAL CASES ANNOUNCEMENTS MERELY MADE PUBLIC WHAT HAD BEEN AGREED TO EARLIER IN PRIVATE. AMONG MOST IMPORTANT WAS AID PROTOCOL SIGNED WITH AFGHANISTAN WHICH COULD AMOUNT TO \$2 BILLION OVER NEXT TWO DECADES, MAKING IRAN BY FAR LARGEST DONOR TO THAT COUNTRY. THIS IS MAJOR BREAKTHROUGH IN RELATIONS BETWEEN TWO COUNTRIES, CLEARLY DESIGNED BY SHAH TO BIND THEIR POLITICAL AND ECONOMIC FORTUNES MORE CLOSELY TOGETHER AND WEAN AFGHANISTAN AWAY FROM OVER-DEPENDENCE ON SOVIET UNION. IMPLEMENTATION OF AGREEMENT IS LIKELY TO PROCEED VERY SLOWLY BUT \$10 TO \$20 MILLION FEASIBILITY STUDY WILL BE UNDERTAKEN SOON ON CONSTRUCTION OF RAILROAD LINKING KABUL WITH IRANIAN RAIL SYSTEM AND STORAGE DAMS ON LOWER HELMAND RIVER. IN
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DEFERENCE TO AFGHAN SENSITIVITIES, IRAN HAS PLAYED DOWN ONE IMPORTANT ELEMENT OF AGREEMENT WHICH CALLS FOR SHARING OF HELMAND WATERS AS IF TREATY OF 1973 HAD BEEN RATIFIED BY GOA.

2. BIGGEST ECONOMIC AGREEMENT YET ANNOUNCED BETWEEN IRAN AND ANOTHER COUNTRY OCCURRED DURING VISIT BY SHAH AND EMPRESS TO FRANCE IN LATE JUNE WHEN AGREEMENT IN PRINCIPLE WAS REACHED ON JOINT PROJECTS WHICH COULD TOTAL 5 TO 7 BILLION DOLLARS

OVER NEXT DECADE. IT INCLUDES JOINT ACTIVITIES IN PETROLEUM, PETROCHEMICAL, AGRICULTURAL AND HOUSING FIELDS, CONSTRUCTION BY FRANCE OF FIVE 1000 MEGAWATT NUCLEAR POWER PLANTS IN IRAN, AND ADVANCE DEPOSIT BY IRAN OF \$1 BILLION TO ALLEVIATE FRENCH BALANCE OF PAYMENTS PROBLEMS.

3. WHILE SHAH'S STATEMENT THAT DEALS "WHOSE VASTNESS MAY PROVE ASTONISHING" WITH UNITED STATES WERE IN THE WORKS APPEARS DESIGNED PRIMARILY TO INDICATE IRAN'S INTENTION TO CONTINUE CLOSE ECONOMIC RELATIONS WITH US A TIME WHEN MULTI-BILLION DOLLAR DEALS WITH OTHER OECD COUNTRIES MIGHT GIVE IMPRESSION US WAS FADING FROM PICTURE, SEVERAL SIGNIFICANT NEW AGREEMENTS WERE REACHED WITH US IN PAST TWO MONTHS AND MORE ARE IN OFFING. URANIUM ENRICHMENT CONTRACTS WERE SIGNED WITH AEC TO PROVIDE FUEL FOR TWO OF EIGHT NUCLEAR POWER PLANTS IRAN WANTS TO BUY FROM US IN NEXT TEN YEARS. IRANIAN AIR FORCE AGREED TO PURCHASE 504 ADDITIONAL F-14'S FOR A TOTAL OF 80, AND GOI OFFERED TO ARRANGE LOAN TO HELP GURMMAN RESOLVE ITS FINANCIAL DIFFICULTIES. JOINT VENTURE AGREEMENTS AMOUNTING TO SOME \$1.2 BILLION HAVE RECENTLY BEEN SIGNED WITH DOW CHEMICAL AND UNION CARBIDE. AUGUST 20 ASHLAND OIL AND PAN CANADIAN GROUP SIGNED WITH NIOC AN AGREEMENT FOR OIL EXPLORATION NEAR BANDAR ABBAS TO RESULT IN EXPENDITURE OF SOME \$25 MILLION OVER 5 YEARS.

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4. OTHER MAJOR ECONOMIC ARRANGEMENTS IN PAST TWO MONTHS INCLUDE
\$1.2 BILLION LINE OF CREDIT EXTENDED TO UK, AGREEMENT TO BUILD
\$400 MILLION JOINT VENTURE PETROCHEMICAL COMPLEX IN SENEGAL,
ANNOUNCEMENT OF DETAILS OF \$580 MILLION AID AND INVESTMENT DEAL
WORKED OUT WITH PAKISTAN FOLLOWING MARCH VISIT OF BHUTTO TO
TEHRAN, AGREEMENT WITH WEST GERMANS ON JOINT PETROLEUM EXPLORA-
TION OF LARGE NEW AREAS IN SOUTH OF IRAN, AND PURCHASE BY IRAN
OF ONE-QUARTER INTEREST IN GIANT GERMAN KRUPP COMBINE AT COST
OF \$100 MILLION.

5. ON POLITICAL FRONT, PERSIAN GULF CONTINUES TO BE AREA OF
MAJOR CONCERN TO IRAN. RECENT EMPHASIS, HOWEVER, HAS BEEN
ON COOPERATION, NOT CONFRONTATION. IN LATE JULY IRAN SIGNED
AGREEMENT DELINEATING CONTINENTAL SHELF MEDIAN LINE WITH OMAN.
THIS AGREEMENT WAS ABLE TO MOVE FORWARD ONLY BECAUSE SHAH ALLOWED
OMAN TO USE AS SALAMAH ISLAND AS REFERENCE POINT FOR ITS BASE
LINE, GIVING UP IRANIAN CLAIM TO WHAT MAY AMOUNT TO 100
MILLION BARRELS IN OFFSHORE OIL RESERVES. ON AUGUST 13 DUBAI

RULER SHEIKH RASHID AL MAKTOUM WHO CAME TO IRAN IN HIS CAPACITY AS UAE DEFENSE MINISTER SIGNED AGREEMENT DEMARCATING DUBAI PORTION OF CONTINENTAL SHELF WITH IRAN. STAGE HAD BEEN SET FOR THIS AGREEMENT BY RECENT SETTLEMENT OF DISPUTE BETWEEN UAE AND SAUDI ARABIA OVER BURAIMI ISSUE, A DEVELOPMENT WHICH WAS GREETED ENTHUSIASTICALLY IN TEHRAN BECAUSE IT BODES WELL FOR RESOLUTION OF OTHER ANIMOSITIES IN GULF. IRAN NOW PLANS WORK OUT AS SOON AS POSSIBLE MEDIAN LINE AGREEMENTS WITH REMAINING GULF COUNTRIES, MOST NOTABLY KUWAIT. BECASUE OF ITS CONCERN FOR CONTINUING US ROLE IN GULF AND INDIAN OCEAN, GOI SENT CONFIDENTIAL MISSION TO BAHRAIN LAST MONTH TO URGE THAT COMID-EASTFOR BE ALLOWED REMAIN THERE, AND THIS SUPPORT BY DOMINANT GULF POWER PLAYED A PART IN BAHRAIN'S FAVORABLE DECISION.

6. RELATIONS WITH IRAQ CONTINUE TO BE TROUBLED. SPORADIC FIRING FROM IRAQI SIDE AND OTHER BORDER VIOLATIONS OCCURRED THROUGHOUT MOST OF PAST MONTH, AND AS OF AUGUST 21 IRANIAN TROOPS AND CONFIDENTIAL

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AIR FORCE IN BORDER REGION AND NAVAL FORCES IN GULF WERE ON PRECAUTIONARY ALERT. NEVERTHELESS, PRELIMINARY MEETINGS BETWEEN DIPLOMATS OF TWO COUNTRIES TO TRY TO RESOLVE DIFFERENCES BEGAN AUGUST 12 IN ISTANBUL AND ARE CONTINUING. FONMIN KHALTBARI, WHO LEFT FOR ANKARA ON OFFICIAL VISIT AUGUST 20, TOLD PRESS IRAN WOULD NEGOTIATE IN SPIRIT OF COOPERATION EVEN THOUGH BORDER PROVOCATIONS CAST DOUBT ON IRAQI GOOD FAITH. THERE IS SPECULATION IN TEHRAN THAT IF ISTANBUL TALKS MAKE SUFFICIENT PROGRESS KHALATBARI WILL TRY TO SEE HIS IRAQI COUNTERPART IN TURKEY DURING THIS VISIT.

7. RELATIONS WITH USSR WHICH HAD BEEN AT TEN-YEAR LOW TOOK DECIDED TURN FOR BETTER IN MID-AUGUST, ALTHOUGH SHAH REMAINS WARY OF SOVIETS' LONG-TERM INTENTIONS. USSR AGREED TO NEW NATURAL GAS PRICE CLOSE TO THAT DEMANDED BY IRAN, PUBLICLY SUPPORTED FOR FIRST TIME IRANIAN POSITION ON SHATT-AL-ARAB DISPUTE WITH IRAQ, AND INVITED SHAH TO MAKE STATE VISIT TO SOVIET UNION. WHILE REASONS FOR THIS SUDDEN SHIFT ARE NOT ENTIRELY CLEAR, IT IS POSSIBLE SOVIETS MAY HOPE TO EXPLOIT WHAT THEY SEE AS COMING CRUNCH BETWEEN US AND IRAN OVER OIL PRICES. SHAH HAS EMERGED AS MOST QUOTED DEFENDER OF CURRENT OIL PRICES AND AMERICANS HAVE APPEARED AS MOST VOCAL OBJECTORS.

8. AMIDST FEARS OF NUCLEAR WEAPONS PROLIFERATION IN MIDEAST AFTER INDIAN EXPLOSION AND PUBLICITY GIVEN TO PURCHASES OF ATOMIC ENERGY PLANTS, IRAN SEIZED INITIATIVE BY SUBMITTING TO UNGA A PROPOSAL FOR ESTABLISHMENT OF NUCLEAR-FREE ZONE IN REGION. ALTHOUGH DETAILS OF PROPOSAL REMAIN TO BE WORKED OUT, SOME DOZEN COUNTRIES HAVE ALREADY INDICATED THEY WILL CO-SPONSOR OR SUPPORT IT DURING 29TH GA. IRAN ALSO HAS BEEN INVITED TO BECOME PERMANENT MEMBER OF CONFERENCE OF

COMMITTEE ON DISARMAMENT TO CONVENE JANUARY 1975 AND TO PARTICI-
PATE IN THIRD NON- PROLIFERATION TREATY PREPARATORY COMMITTEE
MEETING IN FEBRUARY.
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